

Sectoral Outlook

2010-2012



Saguenay–Lac-Saint-Jean



Service
Canada

2010–2012 Sectoral Outlook – Saguenay-Lac-Saint-Jean

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Summary

The following is an overview of the demographic, economic and sectoral outlook for the Saguenay–Lac-Saint-Jean region for 2010–2012.

Demographic outlook

The latest Canadian census, conducted in 2006, confirms an already long-established trend, namely loss of population in the peripheral and resource regions. The population of Saguenay–Lac-Saint-Jean was 272,610, compared to 278,279 in the 2001 census, a drop of 2.0%. All regional county municipalities saw their population decline, and the region suffers from a geographically mobile population. Of all age groups, those between ages 20 and 24 leave Saguenay–Lac-Saint-Jean in greatest number, accounting for over half of interregional migration. The Institut de la statistique du Québec (ISQ) expects continued population decline over the next few years.

Economic outlook

The various major primary metal processing and large-scale construction projects announced could be seen as signalling an upswing for the regional economy. The number of persons employed hit a peak in 2007, but the recession has been hard on the regional economy's underpinnings, which suffer from lack of diversification. The sharp drop in demand for aluminum, widely used in the transportation industry, declining residential construction and the weak pulp and paper industry have entailed numerous layoffs. In the second quarter of 2008, the number of people employed fell relative to the estimate for the same period the previous year, and this downturn continued for six straight quarters. There was no change until the first quarter of 2010.

For the period from 2010 to 2012, we predict growth slightly above the average for Quebec as a whole. This thrust will be fuelled by a period of intense activity in industrial construction. Indeed, the strength of the regional economy over the past decade has derived from the main large-scale projects; whether through Alcan's expansion at Alma, the work on Highway 175 or construction of the hydroelectric station on the Péribonka River, regional enterprises have developed expertise which many of them are now ready to export.

Over the next three years, namely 2010 to 2012, we expect moderate employment growth averaging 1.4% per year, or somewhat more than 1,700 jobs. This rate is higher than anything posted in the region over the last 22 years (0.5%). In Quebec as a whole, average annual growth to 2012 is projected at 1.0%.

Sectoral outlook

Extraction and processing of natural resources dominate the economic landscape of the Saguenay–Lac-Saint-Jean region. The primary sector thus occupies a correspondingly larger place than in Quebec overall. Manufacturing is not diversified and is heavily concentrated in wood industries, paper production and primary metals refining. Services employ 74.8% of the workforce.

Primary sector

The primary sector generates 5.0% of total regional employment (2.4% Quebec-wide), concentrated in the subsectors of forestry and agriculture. Though it accounts for a small proportion of employment, the primary sector is vital to many communities, especially those around Lac-Saint-Jean and outside the Saguenay urban core. From now until 2012, the number of people employed will continue its downward slide at an average annual rate of 0.4%.

Secondary sector

The manufacturing sector as a whole represents nearly 15% of regional employment, or 17,900 people. After a dip in the early years of the century, this sector performed somewhat better from 2004 to 2007. Workers could count on large-scale construction sites and development projects in secondary and tertiary aluminum processing. In addition to creating employment, manufacturers have acquired expertise that can be exported through contracts for jobs in other regions. The economic slowdown has considerably dampened manufacturing industries, and the number of people employed has dropped sharply. For the next three years, this sector will revive, with a variation of 0.8%. However, we will have to wait until 2011 to confirm the turnaround.

Construction employed an average of 7,000 workers in the years 2007 to 2009, with employment levels reaching their highest level of the decade. Regional economic growth has relied heavily on large-scale construction projects since the early years of the new century. For the period from 2010 to 2012, the industry's workforce is expected to shrink by 0.6%, but numbers employed will remain quite high relative to the average for the past decade.

Tertiary sector

In 2007, the tertiary sector reached a peak in employment for the 20-year period starting in 1987, posting very high levels since the turn of the century. At 1.8%, the service sector is expected to show a higher average annual growth rate than for all industries (1.4%) for the years from 2010 to 2012. Across Quebec, services are expected to grow by 1.1% annually over the same period. However, the demographic shrinkage projected between now and 2025 will start to impinge on this sector sooner or later.



Introduction

Each year, Service Canada issues medium-term employment forecasts both by industry and by occupation for Quebec as a whole and for each of its economic regions. The results of these analyses are published in the form of a series of studies intended to provide a comprehensive overview of recent labour market developments and outlooks in Quebec and its various regions.

We hope this series of documents will interest people who are seeking labour market guidance and those who help them, including parents, educational staff and employment assistance services workers. It should also interest businesses and employer associations anxious to identify human resources management issues in their industries.

This document is made up of two sections. The first part provides a synopsis of the labour market in the region, including an overview of economic developments and key labour market indicators. The second part presents sectoral outlooks by industrial groups catalogued according to the North American Industry Classification System (NAICS).



Notes on methodology

Employment estimates

Employment estimates by industry are based on data from Statistics Canada's Labour Force Survey (LFS). The reason for this choice is that the LFS is the only reliable and unbroken source of labour market trends for both Quebec and its regions. Since the employment level in some industries is very low in a number of economic regions, other sources of data—mainly of an administrative nature—have sometimes been used because LFS figures in these industries are unreliable. In addition, three-year (2007-2008-2009) averages are included in the statistical tables to provide a more reliable indication of employment levels.

The employment outlooks have been established for a three-year period, from 2010 to 2012. They were developed in winter 2009-2010 in co-operation with Service Canada economists working in Quebec's regions. We also wish to thank the Canadian Occupational Projection System (COPS) team, without which we would not have had access to many of the analysis and forecasting tools that were used to carry out this study.

Industrial groups

The industrial analysis presented in this study is based on an aggregation using the North American Industry Classification System (NAICS). Here, we provide a brief overview of the composition of each of these groups. Precise definitions of the industries are available in the NAICS published by Statistics Canada.

Primary sector

- 11 Agriculture, Forestry, Fishing and Hunting
- 21 Mining and Oil and Gas Extraction

Manufacturing sector

- 31-33 Manufacturing

When relevant, following groups are also presented.

Consumer-related manufacturing

- 311 Food Manufacturing
- 312 Beverage and Tobacco Product Manufacturing
- 313 Textile Mills
- 314 Textile Product Mills
- 315 Clothing Manufacturing
- 316 Leather and Allied Product Manufacturing
- 323 Printing and Related Support Activities
- 337 Furniture and Related Product Manufacturing
- 339 Miscellaneous Manufacturing

Resource-related manufacturing

- 321 Wood Product Manufacturing
- 322 Paper Manufacturing
- 324 Petroleum and Coal Products Manufacturing
- 327 Non-Metallic Mineral Product Manufacturing
- 331 Primary Metal Manufacturing

Investment-related manufacturing

- 325 Chemical Manufacturing
- 326 Plastics and Rubber Products Manufacturing
- 332 Fabricated Metal Product Manufacturing
- 333 Machinery Manufacturing
- 334 Computer and Electronic Product Manufacturing
- 335 Electrical Equipment, Appliance and Component Manufacturing
- 336 Transportation Equipment Manufacturing

Construction

- 23 Construction

Consumer services

- 44-45 Retail Trade



- 51 Information and Cultural Industries
- 71 Arts, Entertainment and Recreation
- 72 Accommodation and Food Services
- 81 Other Services (except Public Administration)
- Production services
 - 22 Utilities
 - 41 Wholesale Trade
 - 48-49 Transportation and Warehousing
 - 52 Finance and Insurance
 - 53 Real Estate and Rental and Leasing
 - 54 Professional, Scientific and Technical Services
 - 55 Management of Companies and Enterprises
 - 56 Administrative and Support, Waste Management and Remediation Services
- Public and parapublic services
 - 61 Educational Services
 - 62 Health Care and Social Assistance
 - 91 Public Administration



Part 1 – Overview

Description of the area

The Saguenay–Lac Saint-Jean region covers 98,708 km² and takes in the regional county municipalities (MRCs) of Maria-Chapdelaine, Le Domaine du Roy, Lac Saint-Jean Est and Le Fjord du Saguenay. Data from the 2006 census show a total regional population of 272,610, as compared to 278,279 in the 2001 census, a drop of 2.0%. Saguenay–Lac-Saint-Jean is one of the resource regions. The Saguenay census metropolitan area, the largest urban centre in the region, had a population of 151,643, accounting for more than 55% of the region's total population of 272,610 inhabitants (2006 census).

Economic environment

Canada's economy is currently recovering from a worldwide recession that first hit our neighbour to the south in late 2007 before battering the foundations of Canada's economy in 2008. Recovery from this crisis has been helped by the introduction of infrastructure programs and other budgetary measures that have forced various levels of government to increase debt levels. In the coming years, measures will be introduced to restore balanced budgets, especially in Quebec.

Quebec's economy has regained strength, and its growth stems in large part from the many investment projects announced or in progress in the region. Investments on the North Shore (La Romaine complex), in James Bay (Eastmain-1A), in the Saguenay region (Rio Tinto Alcan) and in the Abitibi region (various mining projects) will boost domestic demand and employment growth. This scenario presupposes a slow recovery and weak job creation in 2010. The outlook becomes progressively more optimistic thereafter.

In the region, the 2010-2012 period will be characterized by slightly higher growth than in Quebec as a whole.

Saguenay–Lac-Saint-Jean's economy is based on the forest industry, primary metal manufacturing, agri-food businesses and tourism, but it has changed considerably. The region has moved away from its traditional primary resource harvesting and processing base to secondary and tertiary wood and aluminum processing. Regional research and development are steadily growing in importance. More specifically, increasingly extensive networks are being established between small, medium and large enterprises and aluminum, wood and agri-food research centres.

Various announcements of large-scale primary metal manufacturing and construction projects may have given the impression that the regional economy was taking off. In addition, there was a peak in the number of persons employed in 2007. However, because of a lack of diversification, the regional economy's industrial base was hit hard by the recession. Large numbers of layoffs resulted from the rapid decline in demand for aluminum (a staple material for the transportation industry), the slowdown in housing construction and weakness in the pulp and paper industry. In the second quarter of 2008, there was a decrease in the number of employed, compared with the previous year's estimate for the same period. The downward trend continued for six consecutive quarters. Only in the first quarter of 2010 did the situation begin to improve.

Employment fell for six straight quarters before picking up again.

Saguenay-Lac-Saint-Jean is facing a demographic challenge. Between the 2001 and 2006 censuses, the region lost 2.0% of its population, the biggest regional decline apart from Gaspésie–Les Îles de la Madeleine. The decrease is the result of an aging population and negative net migration. Large numbers of young people are leaving to attend schools outside the region. Over a 10-year period, losses rose to more than 3,000 in 2000-2001. Consumer spending remains a dynamic factor of growth in Quebec. Despite a drop in the last quarter, spending has kept growing, reaching about the same level as in the previous three years (3.4%).

We expect that growth in the region will be slightly higher than in the province overall in 2010-2012. Job growth will be fuelled by a period of intense activity in industrial building construction. Over the last decade, the solid performance of the region's economy has depended on major projects. Regional businesses that have developed their expertise in

the Alcan expansion project in Alma, in construction work on Highway 175 or in the construction of the hydro-electric dam on the Péribonka River are prepared to export their expertise outside the region.

Work to extend Highway 175 is continuing and the highway is scheduled to go into service in 2013. Job-generating projects, such as Rio Tinto Alcan's construction of a US\$550-million pilot plant on its Jonqui re site and its expansion projects in the coming years and Hydro-Qu bec's construction of hydroelectric power-generating complexes worth \$5 billion in the North Shore and Northern Quebec regions (Eastmain-1-A and Romaine River) will be contributing factors for a healthy regional economy throughout the forecast period. The equipment manufacturing and business services sub-sectors will be the main recipients of major contracts resulting from large-scale projects, particularly firms that have already developed their expertise in projects associated with contracts awarded by these major clients.

Labour market indicators

The working-age population has been steadily shrinking since the beginning of this decade. Because of low birth rates and negative net migration of young people, in particular, the working-age population was 223,000 in 2009, following decreases of 0.2% per year over the 2007-2009 period. This trend will continue in the coming years.

Table 1

Main Labour Market Indicators - 2007–2009				
Saguenay–Lac-Saint-Jean Region				
	2007	2008	2009	2007-2009
Working-age population ('000)	223.8	223.2	223.0	223.3
Labour force ('000)	139.3	134.2	133.2	135.6
Employed ('000)	126.6	122.7	119.9	123.1
Unemployed ('000)	12.7	11.4	13.3	12.5
Unemployment rate (%)	9.1	8.5	10.0	9.2
Participation rate (%)	62.3	60.1	59.8	60.7
Employment rate (%)	56.6	55.0	53.8	55.1

Source: Statistics Canada, Labour Force Survey
Data compiled by Service Canada

After reaching a peak of 126,600 employed in 2007, the regional labour market was severely affected by the global economic recession. The number of employed persons fell by 3.1% in 2008 and by another 2.3% in 2009. According to Statistics Canada estimates, the average number of persons employed last year was 119,900, which represented a loss of 6,700 jobs in 24 months. The employment rate, which had peaked at 56.6% in 2007, dropped during the following two years to 53.8% in 2009.

Job losses have resulted in a resurgence in the number of people unemployed; another 1,900 individuals joined their ranks, boosting the unemployment rate by 1.5 percentage points to 10.0% in 2009.

Reduced activity in the labour market also had an impact on the labour force participation rate, which dropped from 60.1% in 2008 to 59.8% in 2009. This indicator measures the number of adults working or unemployed but looking for work against the entire working-age population. Usually, this serves as a barometer of labour market strength; during periods of economic growth, labour force participation rates tend to rise, whereas a decrease may indicate that people are losing confidence in their ability to find a job.



Over the next three years, that is the 2010-2012 horizon, we expect a little over 1,700 jobs to be created each year, a modest annual growth rate of 1.4%. This is higher than the average for the past 22 years (0.5%). The projected average annual growth rate for all of Quebec from now until 2012 is 1.0%.

Given that the decrease in employment began earlier in the region, in 2008, compared with 2009 in the province as a whole, the recovery will be faster. However, a complete recovery of all jobs lost in the past two years will not occur until 2012. The number of persons employed should slightly exceed the peak reached in 2007.



Part 2: Sectoral outlook

Overview

The average number of people employed in the Saguenay-Lac-Saint-Jean region between 2007 and 2009 was 123,100. The tertiary sector alone employed 92,100 people, accounting for 74.8% of jobs in all sectors combined. This percentage is slightly lower than that of Quebec overall (78.2%). Consumer services are the largest component, at 30.1% of employment, followed by public and parapublic services at 26.2%. The two sub-sectors account for a larger share of jobs in the region's tertiary sector than they do in the province's tertiary sector. The difference stems from the production services sub-sector, which has an 18.6% share of jobs in the region's tertiary sector, a significantly lower percentage than its 26.0% share of jobs in Quebec's tertiary sector.

The average number of people employed in goods-producing industries, which include the primary sector, the manufacturing sector and the construction industry, was nearly 32,000 in 2007-2009, or 25.2% of total employment, which was higher than the figure for all of Quebec (21.8%). The primary sector accounts for 6,200 jobs, or 5.0% of total employment in Saguenay-Lac-Saint-Jean, compared with 2.4% in Quebec. The manufacturing sector and the construction industry employ nearly 25,000 workers, representing a proportion of total employment almost identical to that of Quebec. However, the region's economy is much less diversified than the economies of other Quebec regions and depends for the most part on large logging, wood product manufacturing and aluminum production companies. Furthermore, these three industries are the source of nearly 40% of jobs in the primary and secondary sectors combined. Consequently, as soon as a major slowdown occurs in these sectors, the regional economy is hit hard.

Table 2

Employment Breakdown and Outlook for Selected Industry Groups					
Saguenay–Lac-Saint-Jean Region					
	Average for 2007–2009			2010-2012	
	Level ('000)	Share of Employment		Average Annual Growth	
	Region	Region	Quebec	Region	Quebec
All industries	123.1	100.0%	100.0%	1.4%	1.0%
Primary	6.2	5.0%	2.4%	-0.4%	0.3%
Manufacturing	17.9	14.5%	14.0%	0.8%	0.4%
Construction	7.0	5.7%	5.4%	-0.6%	1.3%
Services	92.1	74.8%	78.2%	1.8%	1.1%
Consumer services	37.0	30.1%	27.6%	2.0%	1.0%
Production services	22.9	18.6%	26.0%	1.8%	1.6%
Public and parapublic services	32.2	26.2%	24.7%	1.4%	0.8%

Source: Service Canada, Quebec Region

Historical estimates based on Statistics Canada's Labour Force Survey (see Notes on Methodology)



Projected employment growth in the next few years will be mainly in services.

The decline in employment observed over the past two years following the economic slowdown has had a greater impact on the goods-producing sector than on the service sector. The difficulties in forestry and manufacturing resulted in a 7% or more drop in the goods-producing sector, whereas services shed barely 1% of its workforce.

Projected employment growth for the next few years will be mainly in services, estimated at 1.8%, compared to 0.2% for goods production.

Primary sector

The primary sector employs 6,200 people, accounting for 5.0% of all employment in the Saguenay-Lac-Saint-Jean region, compared with 2.4% in Quebec. Employment is distributed mainly between agriculture and logging. Although it represents only a small share of employment, this sector is nonetheless important for a number of communities in the region, mainly those in Lac-Saint-Jean and outside the Saguenay urban area.

Employment is expected to contract over the next three years. We are forecasting a 0.4% decrease in the number of jobs as a result of industrialized agriculture. Technological change, productivity gains and mechanization will be the main contributing factors to the elimination of jobs. However, it should also be noted that the new jobs will require higher skill levels.

Table 3

Employment Breakdown and Outlook in the Primary Sector					
Saguenay–Lac-Saint-Jean Region					
	Average for 2007–2009			2010–2012	
	Level ('000)	Share of Employment		Average Annual Growth	
	Region	Region	Province	Region	Province
Primary Sector	6.2	5.0%	2.4%	-0.4%	0.3%
Agriculture	2.5	2.0%	1.6%	-3.7%	-0.3%
Forestry and logging	2.8	2.2%	0.4%	0.4%	0.0%
Fishing, hunting and trapping	0.0	0.0%	0.0%	0.0%	1.9%
Mining	0.9	0.8%	0.4%	5.6%	2.5%

Source: Service Canada, Quebec Region
Historical estimates based on Statistics Canada's Labour Force Survey (see Notes on Methodology)

The region will continue to focus its efforts on production of lowbush blueberries, northern fruits and seed potatoes.

Agriculture consists mainly of dairying, berry farming, beef cattle husbandry and cereal cultivation. Dairying accounts for some 45% of farm income, followed by berry farming at 20%. The region is noted for its lowbush blueberry production, with 95% of provincial output. 69% of the province's seed potato fields are found in the Saguenay–Lac-Saint-Jean and North Shore regions.

According to projections, the sector will shrink by about 3.7% over the next three years. This hypothesis is based on the significant decline in the number of farms in recent years and the data of the latest census, which confirm the continuation of this trend. Between the censuses of 2001 and 2006, the number of farms dropped by 4.9% (57 farms), and the number of farmers fell by 4.3% (75 farmers). The opening of markets and rising production costs favour amalgamation of production units. Family-owned enterprises will have an ever harder time continuing in business in this context. This situation may also explain the succession problems encountered by farm owners and operators and the lack of interest in taking over shown by their descendants.



The economies of scale generated by consolidation of production quotas will continue to result in job losses. As large production units become more capital-intensive, they almost inevitably become less labour-intensive.

The region will continue to concentrate its efforts on production of lowbush blueberries, other northern berries and seed potatoes, a trend which, in the long term, should pave the way for more processing of these products locally.

Employment in the forest industry hit a peak of 4,600 in 2002, but has been in decline since. Employment levels in the last three years show no deviation from this trend; in 2009 they were at their lowest since 1987. According to our forecasts, the trend will reverse, with growth of 0.4% expected for the period from 2010 to 2012.

The Saguenay-Lac-Saint-Jean region is one of the largest forested areas in Quebec, with 93% under public tenure. It accounts for 23% of Quebec's logging potential and encompasses 23 of the 49 municipalities that depend heavily, and in some cases exclusively on this industry. The industry is enduring a crisis due to the slump in housing construction south of the border, slack demand for paper, production capacity reduction and the soaring value of the loonie. The region is also contending with a 15.8% reduction in quotas for the five-year period starting in 2008. All this has resulted in manufacturing plant closures, some permanent and others temporary.

The region is still waiting for action under the recovery plan of of AbitibiBowater, which has sought protection under the *Companies' Creditors Arrangement Act*. That company controls roughly 80% of the region's forests. The difficulties have persisted over the past year, to the point where the company has been constrained to sell off some assets, including two local sawmills.

The industry's future will also depend on research and development in the use of forest biomass, which has expanded recently. On this score, the region is endeavouring to attract a plant for converting forest waste into biodiesel. In addition, LASEVE (the laboratory for analysing and distinguishing plant species) at the University of Quebec at Chicoutimi (UQAC) is researching the various uses of the plants of the boreal forest.

Lastly, in mining, quarrying and peat cutting, employment may experience a spurt of nearly 6% between now and 2012, or 200 additional jobs. Three projects in the Lac Saint-Jean area are at the analysis and feasibility phase. The first such project is for a phosphate/titanium mine at Lac à Paul; the second involves development of a niobium and tantalum mine north of Saint-Félicien by the owner of the mine already in operation at Saint-Honoré and employing over 200 people. Feasibility studies are currently being conducted. According to authorities, 2011 may mark the beginning of construction, with operations starting in 2013. The third and last project is for development of diamond and uranium mines in the Otish Mountains north of Chibougamau. Regional spin-off is to be expected. Quarrying and peat extraction make up the rest of this industry, and they should reap benefits from the Highway 175 widening project.

Manufacturing sector

The manufacturing sector as a whole accounts for 14.5% of employment, or nearly 18,000 jobs, in the region. Following a drop in the number of employed in the early 2000s, employment in the sector improved slightly between 2004 and 2007. Workers were able to find jobs in major secondary and tertiary aluminum processing, construction and development projects. Later, the economic slowdown resulted in workforce reductions. Manufacturing industry has posted an average 1.3% decrease in employment over the past 22 years, compared with an increase of 0.5% for all industries.

Manufacturing is not much diversified and is largely resource-based. Wood product manufacturing, paper and metals processing alone accounts for 66% of total employment in the sector, as opposed to less than 20% across Quebec. Gradual population decline and aging in recent years are bringing major changes in age-group distribution. The age group pyramid is narrowing at the base and widening at the peak. This phenomenon will



spark major changes in consumer habits in the coming years and decades, entailing changes in manufacturing too; the goods and services sought by the elderly are, in many respects, quite different from those favoured by younger cohorts.

Consumer-related manufacturing

Consumer-related manufacturing accounts for nearly 3,100 jobs, or 2.5% of employment in the region, compared with 5.2% in Quebec.

The food and beverage industry provides more than half of the consumer-related manufacturing jobs. It includes mainly frozen food, dairy product, bread and bakery product and animal slaughtering and processing companies. This sub-sector will take the lead in job creation.

This industry, which was on a roll, has nonetheless been hit by the listeriosis scare in Quebec. Still today, some local producers are having trouble. In July 2009, Fromagerie Pistou in Alma ceased operations, resulting in 13 lost jobs, while other producers have simply stopped making raw-milk cheese.

Even so, a number of enterprises have launched expansion projects, and the industry offers scope for growth and development in the field of northern agriculture. Investments have been made in new niches, among them the only plant in Quebec for processing oats for human consumption (La Ferme Olofée Inc), the only alfalfa drying plant in the province (Luzernes Belcan du Lac-St-Jean Inc) and berry processing, in particular an enterprise making high-quality products from wild blueberries (Opti Bleu Inc). In the same vein, the first blueberry dehydration plant in Canada is expected to open by the end of this year in Dolbeau-Mistassini. This notwithstanding, there is very little processing done in the region, and innovative enterprises do not always survive long. However, there may be a breakthrough in the next few years.

The other components of the consumer-related manufacturing sector employ few people, somewhere between 100 and 300, and will see little variation except in printing, which is currently experiencing serious difficulties due to loss of revenue from advertising and competition from the Internet. In general, the entire sector will see an average 0.7% decrease in the number of jobs from now until 2012.

Resource-related manufacturing

Resource-based manufacturing accounts for 12,400 jobs, or approximately 70% of the manufacturing sector. It has declined sharply since this decade began. We predict that employment should begin to pick up, but only a portion of the jobs lost over the past three years will be recovered. The projected average annual growth rate will be close to 1.2%, less than the average for all industries (1.4%).

Wood products

After reaching a regional peak in 2004, employment in the wood product manufacturing industry has been in steady decline ever since.

Future developments at AbitibiBowater will influence the industry's future.

The year 2009 was characterized by many further temporary closings of regional enterprises. The latest of these is Produits Forestiers Saguenay, a subsidiary of AbitibiBowater, which has temporarily closed its sawmill in St-Fulgence. It has also sold off its hardwood sawmills in Petit-Saguenay and Alma. These closings are the result of falling sales prices coupled with rising production costs, a combination which increasingly undermines the economic viability of enterprises that often run at a loss. The sale of these assets indicates that AbitibiBowater's restructuring is not yet finished.



Table 4

Employment Breakdown and Outlook in the Manufacturing Sector					
Saguenay–Lac-Saint-Jean Region					
	Average for 2007–2009			2010–2012	
	Level ('000)	Share of Employment		Average Annual Growth	
	Region	Region	Province	Region	Province
Manufacturing sector	17.9	14.5%	14.0%	0.8%	0.4%
Consumer-related manufacturing	3.1	2.5%	5.2%	-0.7%	-0.1%
Food, beverages and tobacco	1.9	1.5%	2.0%	2.3%	0.9%
Textile mills and textile product mills	0.1	0.1%	0.3%	14.5%	-1.0%
Leather clothing and products	0.2	0.2%	0.7%	-5.0%	-2.5%
Printing and related activities	0.3	0.3%	0.7%	-15.7%	-1.6%
Furniture and related products	0.3	0.2%	0.9%	0.0%	0.1%
Miscellaneous manufacturing	0.3	0.2%	0.6%	-9.1%	0.6%
Resource-related manufacturing	12.4	10.1%	3.0%	1.2%	0.1%
Wood products	3.0	2.4%	1.0%	3.2%	0.4%
Paper	2.3	1.8%	0.7%	-5.7%	-1.3%
Petroleum/coal products manufacturing	0.1	0.1%	0.1%	14.5%	-3.0%
Non-metallic mineral products	0.7	0.5%	0.4%	6.3%	1.5%
Primary metal manufacturing	6.4	5.2%	0.7%	1.9%	0.8%
Investment-related manufacturing	2.4	1.9%	5.8%	0.5%	1.0%
Chemical products	0.1	0.1%	0.8%	-9.1%	0.3%
Plastics and rubber products	0.2	0.1%	0.9%	-15.7%	0.4%
Metal products	1.0	0.8%	1.1%	8.0%	1.7%
Machinery	0.8	0.7%	0.6%	-5.6%	1.0%
Computer and electronic products	0.0	0.0%	0.6%	0.0%	0.7%
Electrical equipment, appliances and components	0.1	0.1%	0.4%	14.5%	1.1%
Transportation equipment	0.1	0.1%	1.4%	-9.1%	1.1%

Source: Service Canada, Quebec Region

Historical estimates based on Statistics Canada's Labour Force Survey (see Notes on Methodology)

However, 2010 should mark a turning point. Lumber prices started to rise early this year from their levels of the same time last year. Some innovative projects are under consideration, and if they are implemented, they will support the recovery, though the region may not return to the employment levels of 2004.

Among these innovative projects is that of Coopérative forestière de Girardville, which, along with other enterprises in the sector, has been granted access to 54,000 tons of biomass to set up a conversion centre. Perfecta Forêt Inc, of Saint-Hyacinthe, an

enterprise specializing in secondary and tertiary wood processing, is getting ready to reopen sawmills in Lac Bouchette and Saint-François-de-Sales which have been closed for several years. Lastly, LG International Inc is planning to start production of wood pellets in Mashteuiatsh in the fall, creating 25 jobs. In short, there is an emerging trend toward more resource processing.

Our forecast sees the regional wood product manufacturing industry workforce increasing by 3.2% over the period 2010-2012. The level of employment, however, will remain far below its high in 2004.

Paper

The paper industry faces the same difficulties as the lumber industry. It is also up against the drop in demand resulting from the global economic slump and new digital technologies. The popularity of Web sites and on-line magazines has led to reduced demand for paper. Ampler supplies from South America and Asia and the rising Canadian dollar have hampered this industry. Declining sawmill activity has reduced the supply of wood chips on the market, raising purchase prices for paper mills.

In June 2009, AbitibiBowater closed its Dolbeau-Mistassini mill indefinitely, laying off nearly 300 people. As a consequence, the Boralex co-generation plant, which used chips from the paper mill, ceased operations in the spring of 2010; the enterprise employed about 30 workers. SFK Pâte in St-Félicien likewise laid off around 18 employees in order to enhance productivity. In short, this segment of the industry has been hit by a string of layoffs that is still going on.

Our scenario predicts that, even if demand for pulp and paper picks up in the next few years, efforts to raise productivity and investment in new machinery may only prolong the decline in employment in this industry. Moreover, mergers may occur, leading to closure of less productive plants. We anticipate job losses of around 5.7% every year over the period 2010-2012.

Primary metal manufacturing

Primary metal manufacturing faces relatively high aluminum inventories worldwide, a recovery which is rather slow in coming and a Canadian dollar that reached parity with its US counterpart in the spring of 2010 before dropping back a little to slightly under 95 cents US. In these conditions, the main employer in this industry, RioTintoAlcan, launched a rationalization program over the past year, cutting alumina production at its Vaudreuil smelter by 25% and scrapping one shift in the Jonquière cathode products centre. More recently, in the spring of 2010, RioTintoAlcan announced its intention to abolish 10 to 15 positions at the Lapointe plant because of a recovery that has so far been slow to materialize.

The company has also mothballed its various capital spending plans, including a series of investments that would have totalled over \$2 billion by 2015. Among other things, it has pulled back on its plan to construct a US\$600 million pilot plant for developing its exclusive AP50 electrolysis technology. This plant, which was to have produced some 60,000 tons of aluminum a year initially, would have served as a model for later generations of AP50 technology and would have been the first development plant of its kind in the world.

According to industry observers, growth in the world market for aluminum may hit its peak by 2012, and this would help revive RioTintoAlcan's various projects, and in fact, the company announced in March 2010 that it would pour \$200 million into investment for the coming year, including \$100 million for the AP50 project. The strength of the market will influence future investment.



Investment-related manufacturing

Investment-related manufacturing is the smallest sub-sector in the manufacturing sector, employing only 2,400 workers. It is often overlooked, but this segment includes enterprises like LAR Machinerie Inc, Proc métal, STAS, Mecfor, Cycles Devinci (maker of the Bixi bicycle) and Canmec Industriel Inc. These firms are active in seven sub-sectors, among them fabricated metal product and machinery manufacturing, representing the two biggest hirers in terms of employee numbers. They have 1,800 of the 2,400 workers in investment-related manufacturing.

Spin-off from large-scale construction projects will benefit enterprises in this industry.

This sub-sector has benefitted substantially from the spinoff from major construction projects in the region. Moreover, the metal product manufacturing subgroup posted the highest average annual growth rate (10.5%) for the 1988–2009 period. The postponement of the Rio Tinto Alcan projects, the completion of the projects on the Péribonka River and hard times in the forest industry have affected the sub-sector's businesses to some degree. Recovery is expected this year and will gain momentum in the coming years. However, the continuing work on the highway through the Laurentian Wildlife Reserve and the Rupert River and Romaine River development projects will enable some manufacturers to win a few contracts, given their expertise in major regional construction projects.

On this score, in early 2010 Canmec Industriel landed the contract for making the valves for the dam on the Romaine River on the North Shore. STAS is involved in developing the technology of the SEED process, which consists in moulding semi-solid aluminum into parts for the automotive industry and others. Marketing of this technology should start soon. Likewise, Cycles Devinci is looking forward to a very busy year after obtaining new contracts for BIXI from Gatineau, London and Boston. New schemes may also be started in other cities, among them Minneapolis in the United States and Melbourne, Australia, and possibly Toronto.

Investment-related manufacturing is expected to post average annual growth rates of 0.5% over the course of the study period.

Construction industry

An average of 7,000 workers were employed in the construction industry between 2007 and 2009. Construction generated 5.7% of total employment in the region, compared with 5.4% in Quebec. Employment rose to its highest level in the past decade. It should be noted that economic growth in the region has depended for the most part on major construction projects since the early 2000s.

The region experienced a 24% increase in the value of building permits for the period from 2007 to 2009 compared to the preceding three-year period. The industrial sector accounts for much of this ebullience in the industry, and total value in 2009 represented a new regional record since the inception of this historical series in 1987.

Large-scale projects will continue to sustain the industry.

During the 2010-2012 period, employment in the industry is expected to drop by an average of 0.6% per year, but the number of workers will remain very high compared with the average number employed during the past decade. The decrease will result from the completion of work on Highway 175 and the expected reduction in the number of hours worked on the Eastmain-1-A/Sarcelle/Rupert construction project in James Bay. In 2008, the region's workers did over a quarter of their work in other parts of the province, according to Commission de la Construction du Québec (CCQ) data. We can assume that the region's workers did the same in 2009 and should continue doing so in the coming years, but possibly to varying degrees.

Activity will nonetheless remain steady, notwithstanding the delay in RioTintoAlcan's decision to resume construction of its AP50 pilot plant, on hold because of the current economic downturn. At the outset, this plant should produce about 60,000 tonnes of aluminum annually. This development facility will be the first of its kind in the world and the initial stage in a regional investment program of more than \$2 billion over 10 years. Lastly,



the La Romaine hydroelectric complex on the North Shore will also open the way for new contracts for a number of local contractors.

Service sector

Consumer services

Employment in consumer services is faring relatively well.

Industries in this segment employ 37,000 people, the largest slice of the service sector (40%). Employment in consumer services has been increasing steadily since the early 2000s at a rate of 1.0% per year, which contrasts with the slight decrease (-0.1%) in employment for all industries. Depending on the level of income and consumer spending of the population, consumer services should see an average annual growth rate of 2.0% in the coming years. Although the region's population is declining, this prediction is based on the indirect impact of the major construction projects that are expected to boost the regional economy over the next three years.

Retail trade and accommodation and food services together account for nearly 75% of employment in consumer services. This sector is expected to start recovering as of 2010. Domestic demand started to rebound during the second half of last year, to judge from employment trends in trade, and the round of layoffs that hit the region is winding down. Improved employment prospects should engender a climate of confidence among individuals, encouraging consumption.

Planned investment in accommodation and food services by 2012 to underwrite tourism potential, together with inauguration of the La Baie cruise ship terminal, designed to attract steadily increasing numbers of cruise passengers, is expected to bear fruit. In addition, the St-Félicien zoo, still a strong tourist attraction, is celebrating its 50th anniversary. This enterprise has invested heavily in recent years, and a publicity campaign is in full swing to attract visitors from elsewhere.

Table 5

Employment Breakdown and Outlook in Consumer Services					
Saguenay–Lac-Saint-Jean Region					
	Average for 2007–2009			2010–2012	
	Level ('000)	Share of Employment		Average Annual Growth	
	Region	Region	Province	Region	Province
Consumer services	37.0	30.1%	27.6%	2.0%	1.0%
Retail trade	18.5	15.0%	12.4%	2.8%	0.9%
Information, culture and recreation	3.0	2.4%	4.5%	1.1%	1.0%
Accommodation and food services	9.0	7.3%	6.2%	2.0%	1.0%
Other services	6.5	5.3%	4.6%	0.2%	1.3%

Source: Service Canada, Quebec Region

Historical estimates based on Statistics Canada's Labour Force Survey (see Notes on Methodology)

Production services

Production services account for 22,900 jobs, or approximately 19% of the region's workforce, compared with 26% in Quebec. This segment has maintained average annual employment growth of 0.5% since 2000 and is expected to hold to a growth rate of 1.8% over the next few years, a rate close to that of Quebec as a whole.



Most industries in production services will post higher growth rates than all industries combined. This fast pace is explained in many cases by recovery of jobs lost in previous years, when employment in utilities, wholesale trade and management of companies peaked in 2007, only to plunge steeply in 2008 and 2009. The coming years will see some catching up, but the workforce in these industries will remain far below their last peaks. Major construction projects will breathe some new life into the region and create jobs.

Finance, insurance and real estate and leasing has enjoyed strong growth over the past 22 years, at a rate of 1.4%, compared to an average of 0.5% across all industries. Although financial services have undergone major restructuring, employment seems to have held up. Financial institutions have modified their opening hours to accommodate a wider range of financial planning needs and offer a broader product range. Real estate agencies are enjoying an active house resale market, and prices are still rising, while vacancy rates are dropping.

Table 6

Employment Breakdown and Outlook in Production Services					
Saguenay–Lac-Saint-Jean Region					
	Average for 2007–2009			2010-2012	
	Level ('000)	Share of Employment		Average Annual Growth	
	Region	Region	Province	Region	Province
Production services	22.9	18.6%	26.0%	1.8%	1.6%
Utilities	1.4	1.2%	0.9%	3.7%	1.2%
Wholesale trade	3.2	2.6%	4.0%	2.0%	1.5%
Transportation and warehousing	5.1	4.1%	4.6%	0.2%	1.5%
Finance, insurance, real estate and rental and leasing	5.0	4.0%	5.9%	1.5%	1.4%
Professional, scientific and technical services	4.8	3.9%	6.9%	2.3%	2.0%
Management of companies, services to buildings and other services	3.4	2.8%	3.7%	2.5%	1.2%

Source: Service Canada, Quebec Region

Historical estimates based on Statistics Canada's Labour Force Survey (see Notes on Methodology)

Professional, scientific and technical services and management of companies, services to buildings and other support services together employ 8,200 people. They have maintained relatively high growth rates since the start of this decade, at 1.3% and 0.7% respectively. The presence of many large-scale construction projects, the mainstay of the regional economy in recent years, has a lot to do with this growth. What is more, the region is poised to become the gateway to the North, where investment projects abound. The Quebec government has unveiled its *Plan Nord*, a huge development project for this territory. The engineering firm BPR has decided to open a business hub in Saguenay, after Montreal, Quebec City and Paris, to be able to respond to the demands of Northern Quebec. The company plans to take on between 150 and 200 workers over the next 12 to 24 months. Engineering consulting firms are in such great demand in many Aboriginal communities that the Lac Saint-Jean Montagnais Council and Cegertec, a major Saguenay firm, have decided to create a joint enterprise to be able to meet the Innu community's development needs adequately.



The slowdowns in forestry and manufacturing have also affected wholesale trade, where the workforce shrank by nearly 6% over the 2007-2009 period. Recovery in aluminum and busy activity on large construction sites should allow wholesale trade to reverse this trend and post some growth over the next three years.

The transportation industry stands out somewhat. It employs some 5,100 people in the region, equivalent to 4.1% of total employment, and is the largest component in terms of employee numbers. The slowdowns in manufacturing and forestry have had an impact on transportation, which has suffered severe slippage over the past year. Since recovery is expected to be quite tardy, we will have to wait until 2012 to see a return to the employment levels of 2007-2009. As a result, projected growth for the next three years will be no more than 0.2%.

Public and parapublic services

Public and parapublic services employ 32,200 people and account for 26.2% of all employment, compared with 24.7% in Quebec. Since the early 2000s, the number of jobs in this sub-sector has decreased by 0.1%. We are predicting an annual employment increase of 1.4% during the 2010-2012 period, primarily in health care and social assistance.

Table 7

Employment Breakdown and Outlook in Public and Parapublic Services					
Saguenay-Lac-Saint-Jean Region					
	Average for 2007–2009			2010-2012	
	Level (‘000)	Share of Employment		Average Annual Growth	
	Region	Region	Quebec	Region	Quebec
Public and parapublic services	32.2	26.2%	24.7%	1.4%	0.8%
Educational services	8.8	7.1%	6.7%	-0.6%	0.3%
Ambulatory Health Care and Hospitals	9.9	8.0%	6.5%	2.0%	1.4%
Other Health Care and Social Assistance	8.1	6.6%	5.6%	3.7%	1.8%
Federal public administration	1.5	1.2%	2.1%	-0.7%	-0.4%
Provincial and territorial public administration	1.4	1.2%	1.9%	-0.8%	-0.4%
Local, municipal, regional and other public administration	2.5	2.0%	1.8%	1.3%	0.5%

Source: Service Canada, Quebec Region

Historical estimates based on Statistics Canada’s Labour Force Survey (see Notes on Methodology)

Rising employment in public and parapublic services is due essentially to growth in health care and social assistance.

Educational services have shed workers over the last two years, and this trend is expected to continue for the duration of our projections. According to data from MELS (Quebec Department of Education, Recreation and Sport) on enrolments in pre-school and college as well as primary and secondary schools, confirming projections for the coming years, volume is on an inexorable decline. Demographic shrinkage in the region over the next several years and net outmigration are not unconnected with this trend. We therefore predict annual employment losses of 0.6%, whereas growth of 0.3% is forecast for all of Quebec.



Health care and social assistance employ 18,000 workers, more than half (56%) of all those in public and parapublic services. Since 2000, growth has not slackened and has even sharpened in the last few years. Demographic shrinkage has entailed an aging of the population, a trend which generally boosts demand for health care. We therefore expect employment volume to keep growing in the coming years, with a rate of 2% for ambulatory and hospital care and 3.7% for other forms of health care and social assistance.

Public administration employs 5,400 individuals in the region. In their most recent budgets, the federal and provincial governments have clearly indicated their intention to reduce the deficits incurred through recovery measures to combat the last recession. In this context, we foresee contraction of government employment at both levels. Only local and regional administrations are likely to post some slight expansion to cope with their greater responsibilities. This scenario postulates employment growth of 0.8% over the next three years.

The region is still awaiting the federal government's decision on whether to proceed with addition of an air wing to Canadian Forces Base Baggotville, in the Saguenay, within a few years; this would bring in 550 military personnel. Such a redeployment would have an impact on the entire regional economy.